

ALMINEX LIMITED
1976 ANNUAL REPORT



CONTENTS

Highlights.....	Inside Front Cover
Report to Shareholders.....	1
Operations in Review	
Exploration and Development.....	4
Projects.....	8
Land Acquisitions.....	8
Sale of Production.....	9
Reserves.....	10
Financial Review.....	10
Ten-Year Summary.....	12
Financial Statements.....	14
Producing Properties.....	19
Corporate.....	Inside Back Cover
Gulf Coast Map.....	Fold Out Back Cover

HIGHLIGHTS OF 1976

FINANCIAL

	1976	1975	% Change
Revenue.....	\$22,483,000	\$20,081,000	+12.0
Cash Flow from Operations.....	16,111,000	14,598,000	+10.4
Per Share.....	\$ 2.10	\$ 1.91	
Net Income.....	5,935,000	4,909,000	+20.9
Per Share.....	\$.77	\$.64	
Dividends Paid.....	1,916,000	1,839,000	+ 4.2
Per Share.....	\$.25	\$.24	
Working Capital.....	8,406,000	6,555,000	+28.2
Exploration Expenditures.....	3,418,000	3,310,000	+ 3.3

SALES VOLUMES AND RESERVES

	1976	1975	% Change
Crude Oil and Natural Gas Liquids (Barrels).....	2,759,000	3,067,000	-10.0
Daily Average (Barrels).....	7,538	8,404	
Natural Gas (Thousands of cubic feet).....	8,768,000	9,549,000	- 8.2
Daily Average (Thousands of cubic feet).....	23,956	26,162	
Sulphur (Long tons).....	3,021	3,336	- 9.4
Daily Average (Long tons).....	8	9	
Proven and Probable Reserves			
Crude Oil and Natural Gas Liquids (Barrels).....	40,900,000	42,912,000	- 4.7
Natural Gas (Billions of cubic feet).....	195.727	177.639	+10.2
Sulphur (Long tons).....	61,000	221,000	-72.4



Front Cover

Carstairs Gas Plant at night

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

In many aspects, 1976 was a record year for Alminex Limited, and the Directors are pleased to present the following report:

FINANCIAL

Net income was \$5,935,079 (77 cents per share), 20.9% higher than in 1975. This record net income resulted from revenues which rose 12%, to a new high of \$22,482,862, because of increased selling prices for Alminex's products, and despite declines in production. Royalty payments, which are not included in revenue, rose 18%, to \$11,389,541. Although Alminex undertook the largest exploration program in its history, and other categories of expenses also rose, its cash flow from operations still increased by 10.4%, to \$16,111,195. Tax levels remain too high, but, as a percentage of taxable income, the provision for corporate income tax has declined. Because of the foregoing improved financial results, the dividend paid was increased by 4.2%, to 25 cents per share.

SALES VOLUMES AND RESERVES

Government restrictions continue to reduce the export of crude oil to the United States, and the completion of the Sarnia-Montreal pipe line in 1976 has only partially compensated for the markets lost. Alminex's gross sales volumes of crude oil and natural gas liquids were down 10.3%, to an average of 7,538 barrels per day. Faced with increased production from fields newly placed on-stream and no increase in market demand, gas production from existing fields was curtailed, which resulted in Alminex's gross sales volumes decreasing 8.2%, to a daily average of 24.0 million cubic feet. This decline is expected to be arrested shortly by sales from Alminex's new fields. Gross sales volumes of sulphur totaled 3,021 long tons, down 9.4%.

Gross proven and probable reserves of natural gas rose 10.2%, to 195.7 billion cubic feet. Increased reserves in existing fields and the development of recent discoveries in Alberta, the Gulf of Mexico and in New York state more than compensated for the year's production. Reserves of crude oil and natural gas liquids were down 4.7%, to 40.9 million barrels, due, principally, to the year's production. Although new discoveries are being made and the development of them is proceeding, so far, they have not contributed significantly to reserves.

EXPLORATION AND DEVELOPMENT

The exploration program conducted in 1976 was the largest ever undertaken by your Company, both in terms of the number of wells drilled and money spent. The development program, too, was the largest in recent years. In all, Alminex participated in a total of 121 wells, compared to 108 in 1975. Of these, 50 were

completed as gas wells and 11 as oil wells. The drilling operations in Canada were concentrated in Alberta and British Columbia. In the United States, wells were drilled in California, Colorado, Montana, New York, North Dakota, Oklahoma, Wyoming and in the Gulf of Mexico. Two tests were abandoned in the Bay of Bengal, India. Alminex acted as operator for several of these ventures, a departure from its usual non-operating position. A number of seismic programs were undertaken, some of which have confirmed anomalies for future drilling. Strong efforts were made to acquire additional prospective acreage, and, despite intense competition, a total of 190,708 acres was purchased, with Alminex having varying interests. In addition, Alminex joined a bidding group which attempted to secure Production Licenses in the Moray Firth area of the United Kingdom North Sea. Alminex's efforts, in conjunction with its partner, to obtain exploration rights in Guatemala are continuing. Your Company is of the opinion that the exploration successes in neighbouring Mexico have enhanced the prospects in Guatemala and justify its involvement. The general economic improvement in North America makes it attractive to concentrate the bulk of our exploration here.

THE INDUSTRY

Although Federal Government tax regulations were modified in 1976, the changes were intended to stimulate exploration and not to be more burdensome than previously. Given this new stability, supportive policies by several of the Provincial Governments, and higher selling prices, the industry undertook a major program of exploration and development. This effort resulted in substantial new gas reserves, which, in part, remain unmarketed because demand has not increased. This bulge in gas reserves, while of current concern, is an index of the success of the industry when provided with proper incentives. Exports of crude oil to the United States suffered from restrictions. The export level of 510,000 barrels per day, in effect at the beginning of 1976, was reduced to 309,000 barrels per day at year-end. In partial compensation, the Sarnia-Montreal pipe line is currently carrying approximately 250,000 barrels of Western Canadian oil. Crude oil selling prices increased to \$9.05 per barrel on July 1, and to \$9.75 per barrel on January 1, 1977. The Toronto gate price for natural gas also increased during 1976, to \$1.40 per thousand cubic feet on July 1, and again at year-end, to \$1.505 per thousand cubic feet. The export price rose to \$1.80 per thousand cubic feet effective September 10, and to \$1.94 on January 1, 1977.

If the present aggressive exploration program undertaken by the industry in Alberta and British Columbia is to continue, current excess gas reserves must be sold. Without the cash flow resulting from such sales, and the continuation of Government incentive programs, it is feared the efforts which have overcome the gas shortage will diminish. In addition to developing domestic demand, further exports to the United States should be permitted, if only on a short-term basis. The additional sales will help in paying for Canada's increasing imports of foreign oil.

OUTLOOK FOR ALMINEX

Alminex's 1977 budget calls for an even larger program of exploration than that undertaken in 1976. A substantial number of exploratory tests are planned for Alberta and, to a lesser extent, British Columbia, and sufficient land has now been acquired on various prospects in the United States to warrant drilling. New projects are being reviewed, both in Canada and the United States. Some of these projects will involve seismic programs which are expected to result in further wells being budgeted before the year-end. As previously mentioned, Alminex is attempting to secure exploration acreage in the North Sea and in Guatemala, and geological studies are being conducted in the Middle East which may, over the longer term, result in exploration opportunities in that area.

While the development of gas reserves in Alberta will continue, the pace may be slowed because of near-term marketing difficulties; however, reserves of oil and gas in the United States will be developed as expeditiously as possible. Several new gas plants in Alberta are expected to go on production in 1977. Gas reserves in the Gulf of Mexico, offshore Louisiana and offshore Texas, and reserves currently undergoing development in New York state, should also be brought to market shortly. These new gas sales should arrest the decline in production to which reference was previously made.

It was announced on August 17, 1976, that the Directors of Alminex Limited and the Directors of Canadian Superior Oil Ltd. are considering the possibility of an amalgamation and that, to this end, evaluations of both companies were to take place. These evaluations are in progress and it appears now that it will be May before they will be available for review. The possibility of merger has in no way affected the activities of the Company.

CHANGES IN OFFICERS AND IN THE BOARD OF DIRECTORS

At the Annual Meeting held in April, 1976, Mr. G. P. Mitchell, Group Vice President, Falconbridge Nickel Mines Limited, was elected to the Board of Directors to fill a vacancy. At the Board of Directors' Meeting following the Annual Meeting, Mr. W. F. James, a founder and long-time Vice President and Director of Alminex, was elected Chairman of the Board and

President of the Company, and Mr. M. A. Cooper and Mr. J. E. Reid were appointed Senior Vice President and Executive Vice President, respectively. Subsequently, Messrs. Cooper and Reid resigned as Directors, and Mr. J. J. Mather, Group Vice President, Falconbridge Nickel Mines Limited, and Mr. A. G. Slade, Vice President, Corporate Development, Canadian Nickel Division, Falconbridge, were elected in their place.

EMPLOYEES

Alminex's employees are its real strength, and the achievements of the past year are due largely to their dedicated efforts. The Board wishes to extend to all of them its deep appreciation.

On behalf of the Directors,

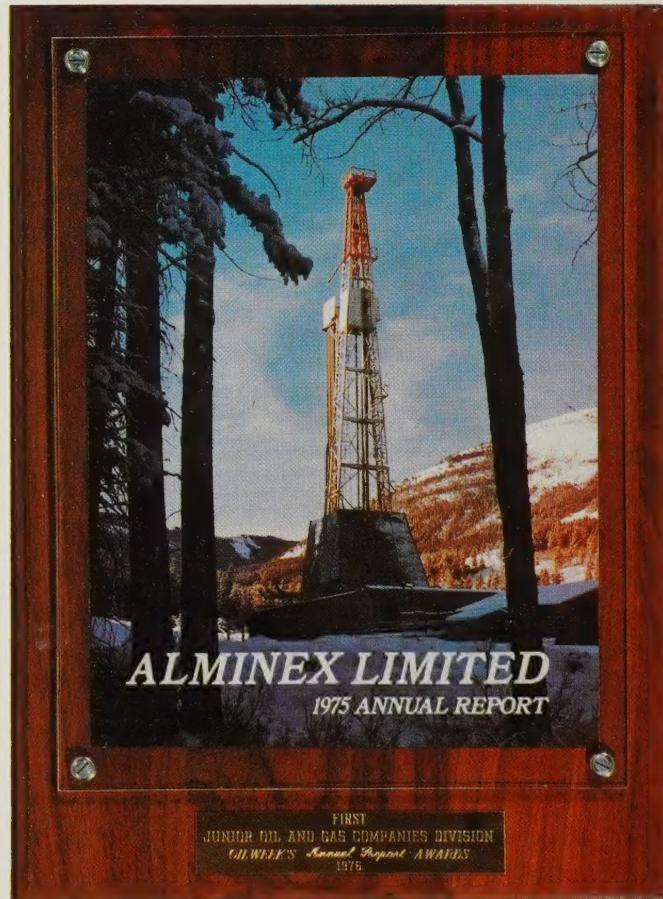
W. F. James

President and
Chairman of the Board

John S. Stephen

Vice President and
General Manager

Calgary, Alberta
February 14, 1977



The above plaque commemorates the first-prize award, Junior Oil and Gas Companies Division, received by Alminex for its 1975 Annual Report. The competition was sponsored by "Oilweek" magazine.

OPERATIONS IN REVIEW



Nabors Drilling Rig 16 on location in Alberta's foothills.

EXPLORATION AND DEVELOPMENT

DRILLING

The number of exploratory and development wells in which Alminex participated, either directly or through farmout, increased to 121 from 108 in 1975. This is in line with your Company's policy of expanding its efforts to find new reserves of oil and gas and expediting the development of reserves previously dis-

covered. Of the wells drilled, 50 were completed as gas wells, and 11 were oil wells. Eight wells were drilling at year-end.

CANADA

Alberta

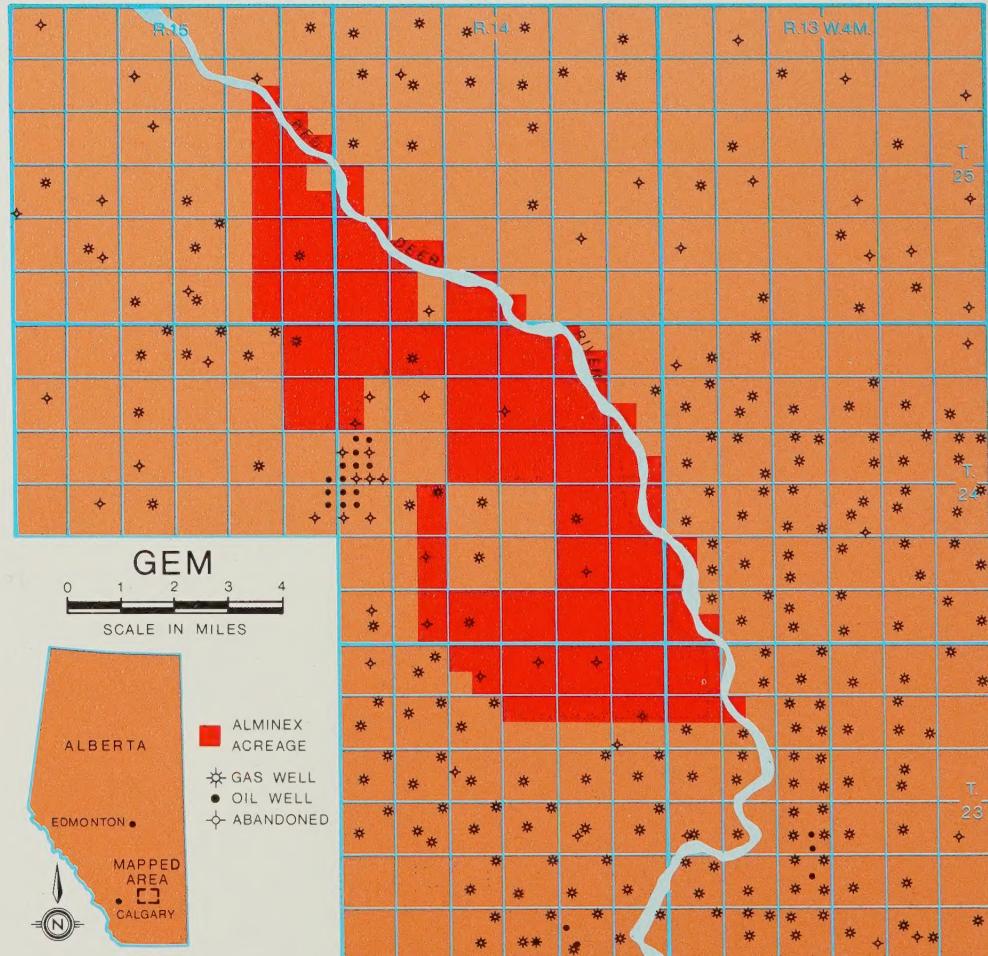
AKUINU: Two Blairmore gas discoveries were drilled, one on a lease block comprising six sections (Alminex's interest 16.7%), and the other on an eight-section block (25%). All of the intervening and surrounding Crown acreage has been acquired, and in this Alminex has a 25% interest.

CHISHOLM: Your Company has varying interests in 45,100 lease acres on which was drilled a Blairmore gas discovery (12.5%) and ten additional wells (25%) to develop previous gas discoveries. The Blairmore gas accumulations are extremely erratic, but five of the latter wells were successfully completed.

GEM: Four exploratory wells were drilled on 24,000 lease acres (25% or 15%), three of which were completed as Medicine Hat sand gas wells. The fourth, while waiting on completion, appears capable of production from the Medicine Hat sand and the Viking

EXPLORATION and DEVELOPMENT DRILLING

	<u>Oil</u>	<u>Gas</u>	<u>Dry</u>	<u>Total</u>
CANADA				
Alberta.....	3	22	24	49
British Columbia.....	1	1	2	4
UNITED STATES				
California.....	1	—	—	1
Colorado.....	3	—	1	4
Louisiana (Offshore).....	—	2	—	2
Montana.....	—	5	3	8
New York.....	—	3	3	6
North Dakota.....	1	—	6	7
Oklahoma.....	1	—	9	10
Texas (Offshore).....	—	17	9	26
Wyoming.....	1	—	1	2
INDIA (Offshore)				
Bay of Bengal.....	—	—	2	2
TOTAL.....	11	50	60	121
	<u> </u>	<u> </u>	<u> </u>	<u> </u>



sand. The distribution of these wells over the acreage indicates with reasonable certainty that most, if not all, of these lands will prove capable of producing gas from the Medicine Hat reservoir.

PRINCESS-ATLEE AREAS: Nine shallow gas wells (12.5% or 7%) were drilled and completed in one or more of the Milk River, Second White Specks or Medicine Hat sands. Construction of a pipe line to gather the production from the wells located at Princess will begin shortly, and sales should start in March, 1977.

VIRGINIA HILLS: Alminex joined in drilling three development wells (8.3%) located on the edge of the Freeman oil field. All were successfully completed.

OTHER AREAS: Two wells were in progress at year-end. Your Company is participating 22.2% in a well at Chedderville, and in a deep foothills test at Nose Creek, where it farmed out one-half of its 12.5% interest in 16,640 acres.

British Columbia

PARKLAND: Alminex has a small (3.6%) interest in an oil discovery, the details of which must remain confidential at this time. Your Company has either a similar or a 5.4% interest in 41,000 acres in the immediate vicinity.

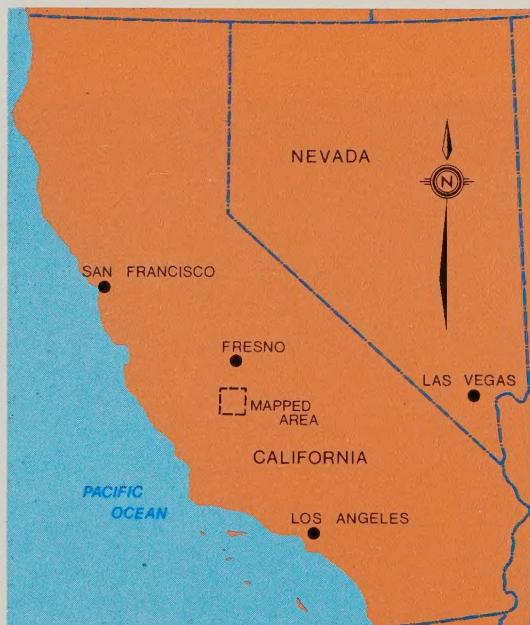
SCOT POINT: Two development wells were drilled (6.3% and 5.7%), of which one was completed as a gas well.

UNITED STATES

California: A thirty-year-old abandoned well at Kettleman City, Kings County, was re-entered, deepened, and successfully completed as a wet gas and oil discovery in the Temblor formation. Preliminary testing of one zone established initial flow rates of 2.3 million cubic feet per day and 550 barrels of high-gravity oil. Testing of two other zones was not encouraging. After payout, Alminex's interest in the well will reduce to 12.5%, and it has the same interest in 17,000 acres of earned leases and options. Drilling to determine the extent of the accumulation will begin shortly.

Colorado: Two attempts were made to extend the productive limits of the oil reservoir found on the Bear River anticline in Routt County, northwestern Colorado. One of these was a mechanical failure which had to be junked and abandoned without ascertaining whether it was productive or not; the other, located approximately five miles north of current production on 6,300 acres of lease in which Alminex has a 50% interest, was a successful oil completion.

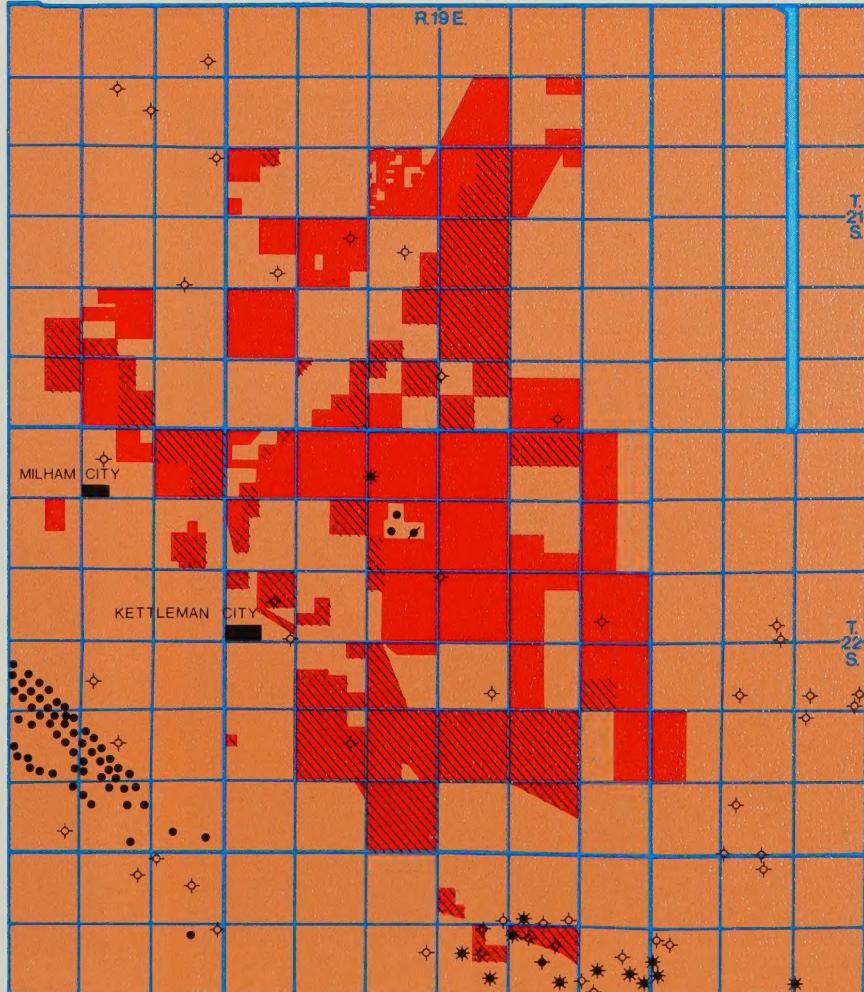
Two development wells were also drilled on the anticline. One (17.5%) located to the south has not yet

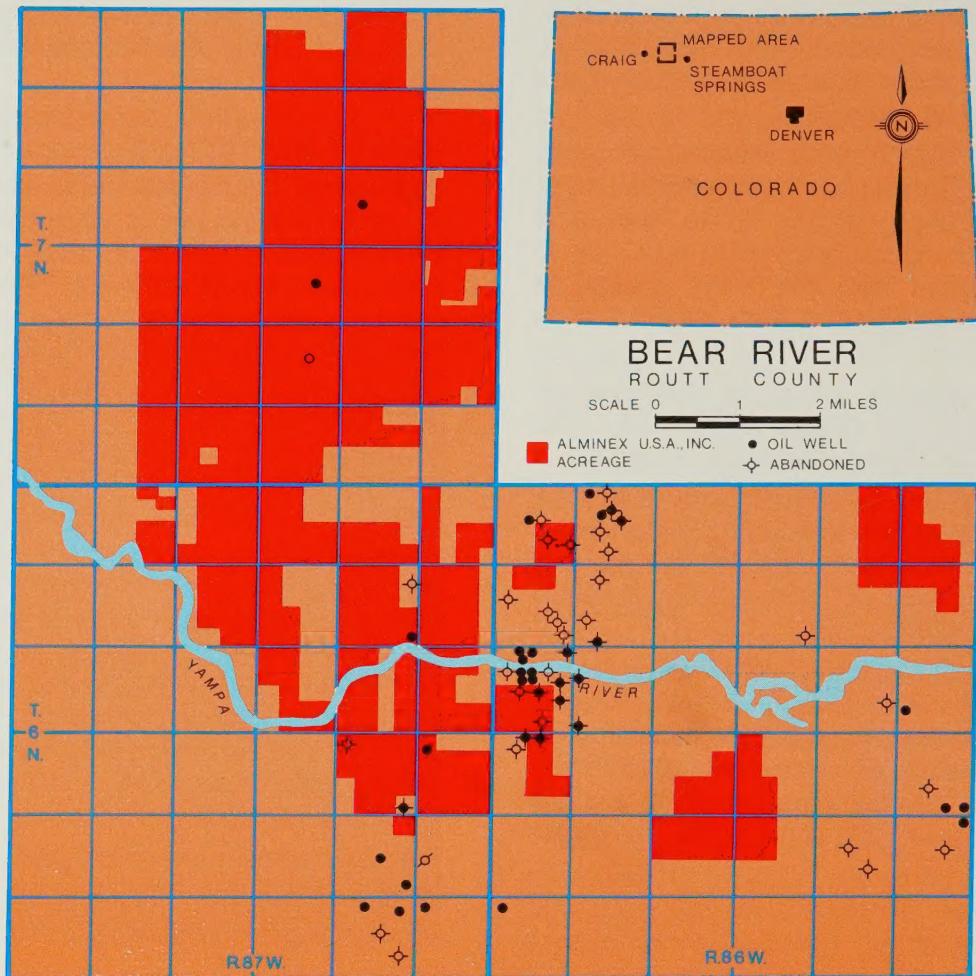


KETTLEMAN CITY AREA
KINGS COUNTY, CALIFORNIA

SCALE : 0 2000 6000 10,000 FEET

■ ALMINEX U.S.A., INC. ACREAGE	◇ ABANDONED
■ ALMINEX U.S.A., INC. OPTION ACREAGE	★ GAS WELL
	● OIL WELL
	✖ SUSPENDED



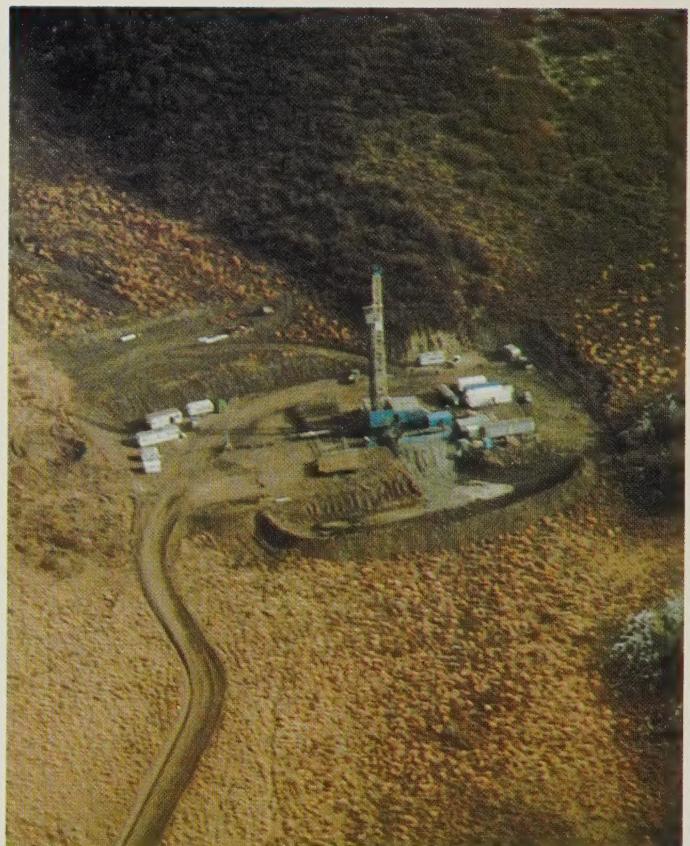


been successfully completed, but further attempts will be made to make it into a commercial producer. The other (50%) is situated to the north, near the recent discovery previously described. It is producing, and another development well is being drilled.

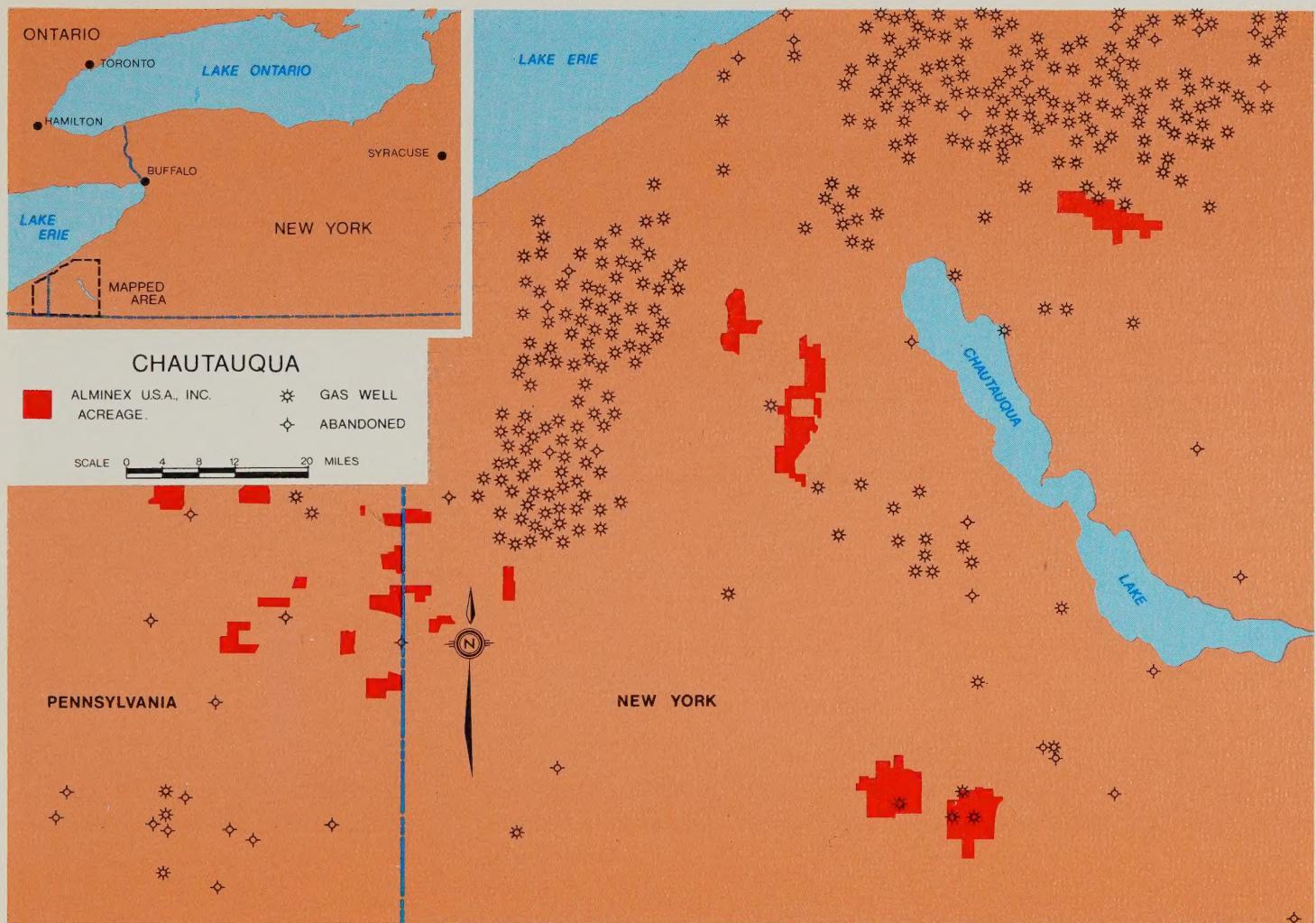
Montana: A shallow gas discovery (25%) was drilled at Alma in Liberty County. Six shallow development wells, in which Alminex has interests varying from 12.5% to 25%, were located at Snoose Coulee, in the same county. Of the latter, four appear capable, as does the discovery, of producing modest volumes of gas from one or more reservoirs. Gas sales began towards the close of 1976.

Louisiana (Offshore): Two development wells (4%), both successful gas completions, have significantly enlarged the productive area on Block 243 to include a portion of Block 244 to the west. A third well was underway at the end of December. These Federal Lease Blocks comprise about 9,351 acres. A second production platform is contemplated, as are two development tests and the deepening of an existing well. First gas sales from this area, previously expected to commence in 1976, should now begin in 1977.

North Dakota: Although no discoveries were made, a development well (14.9%) at Bluell, Renville County, was completed as an oil producer.



Thomson Drilling Rig 25, Routt County, northwestern Colorado.

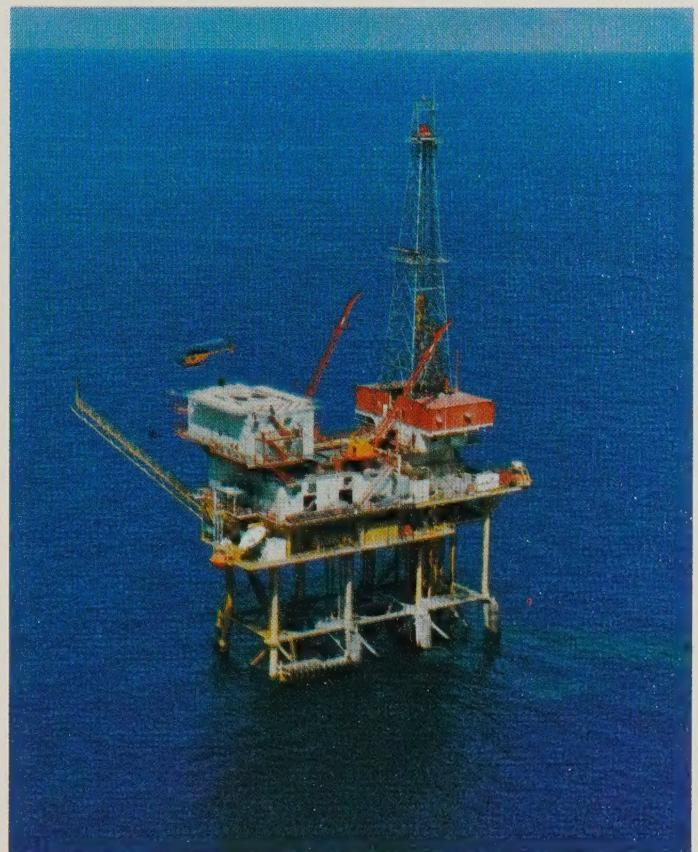


New York: Chautauqua County is an historic gas-producing area containing numerous small-volume wells. Three better-than-average gas wells were drilled, one on each of two lease blocks comprising 1,224 acres and 1,156 acres in which Alminex has a 30% interest. At least sixteen others will be drilled early in 1977. Additional lands are being acquired. Gas sales from this area are expected to start in 1977.

Oklahoma: The oil discovery (25%) made near Duncan, Stephens County, in 1975, was offset by a completed oil well, but three other attempts were dry.

Texas (Offshore): Although none of eight exploratory tests was successful, the development of gas reserves is proceeding quickly. Two wells were completed on Blocks 110/111 (0.125%), and two were drilling at year-end. One was completed on Block 137 (0.125%), eleven on Block A-323 (0.25%), and three successful and one unsuccessful wells were drilled on Block A-520 (0.25%). Each of these Federal Lease Blocks is 5,760 acres.

Production platforms will be constructed on Blocks A-342 and A-343 (1%) in 1977, and development drilling will follow. Construction has begun on the High Island Offshore System, the pipe line network which will gather gas from many of the foregoing blocks. Plans call for this work to be completed in time for the 1977-78 winter heating season.



Drilling on Block A-323, 100 miles off the Texas coast.



Twenty-four-hour operations at the Harmattan Area Gas Plant.

Wyoming: An oil discovery (25%) was made in Campbell County, but no further drilling is planned until the well proves itself capable of commercial production. An exploratory test (5.2%) in Big Horn County, in progress at year-end, appears to be a high-gravity oil discovery.

INDIA

Both exploratory wells (2.5%) in the Bay of Bengal were dry and abandoned. No further drilling is contemplated on the two blocks comprising 1,235,000 acres which have been retained out of the original seven-million-acre Production-Sharing Contract.

PROJECTS

CANADA

Alberta

GAS PLANTS: The Bashaw gas plant went on production in November, 1976. The construction of other plants is underway at Marten Hills and Niton, and these should come into operation in 1977. Plants at Blueberry Mountain, Rosevear, and Big Bend (Chisholm) are in various stages of planning.

ATHABASCA OIL SANDS: Except for a few on-going studies, work on Oil Sands Lease No. 30 (12.5%) is at a standstill. Uncertainties, principally in economic areas, have made it impossible to finance this multi-million-dollar project at this time. Since such heavy-oil

deposits are vital to Canada's future needs, it is expected that clarification of many of the uncertainties will be forthcoming in the near future, and efforts will then be made to arrange suitable financing.

GUATEMALA

Alminex and its equal partner are still attempting to secure exploration acreage in the Peten area, which is considered to be of major exploration promise. The devastating earthquake and other difficulties have delayed the Government's action on this matter, but a decision on our proposal is expected shortly.

LAND ACQUISITIONS

Alminex spent \$1,487,576 in the acquisition of new exploration properties during 1976. This sum was less than that spent in 1975, when a substantial number of leases were purchased offshore Texas in the Gulf of Mexico. There is intense competition for promising acreage, but, in spite of this, Alminex, generally with partners, succeeded in purchasing 190,708 gross acres, of which 168,395 were located in Alberta and British Columbia, and the remainder in the United States. Of the lands acquired in Alberta, most are located east of the Fifth Meridian, in the area undergoing major gas exploration. Alminex intends to continue its acquisitions here, and in other promising gas areas including the deeper portions of the Alberta basin and disturbed belt, because it believes the

present excess of gas supplies will be short-lived. In the United States, land is being, or will be, acquired in New York, Wyoming, Colorado, Montana and

California, as prospects are developed. The following table summarizes your Company's land holdings as of December 31, 1976:

Area	Reservations, Licenses Permits		Petroleum and Natural Gas Leases		Total	
	Gross	Net	Gross	Net	Gross	Net
CANADA						
British Columbia	38,440.00	3,276.08	73,814.00	6,567.08	112,254.00	9,843.16
Alberta	260,967.00	71,399.55	1,449,704.92	292,900.47	1,710,671.92	364,300.02
Saskatchewan	—	—	20,320.00	8,568.94	20,320.00	8,568.94
Ontario	—	—	30,897.38	14,120.18	30,897.38	14,120.18
Northwest Territories	139,857.00	35,814.60	269,899.00	13,657.25	409,756.00	49,471.85
Arctic Islands	4,712,336.00	1,660,783.50	—	—	4,712,336.00	1,660,783.50
Yukon	184,128.00	92,064.00	—	—	184,128.00	92,064.00
UNITED STATES						
California	—	—	8,740.65	1,102.58	8,740.65	1,102.58
Colorado	—	—	33,557.62	9,822.67	33,557.62	9,822.67
Kansas	—	—	240.00	108.00	240.00	108.00
Louisiana (Onshore)	—	—	539.28	72.41	539.28	72.41
Louisiana (Offshore)	—	—	9,351.36	374.05	9,351.36	374.05
Montana	—	—	127,468.11	6,958.82	127,468.11	6,958.82
New York	—	—	62,433.78	12,969.92	62,433.78	12,969.92
North Dakota	—	—	18,441.50	3,994.04	18,441.50	3,994.04
Oklahoma	—	—	20,929.25	8,128.82	20,929.25	8,128.82
Pennsylvania	—	—	10,613.93	2,283.15	10,613.93	2,283.15
Texas (Onshore)	—	—	2,517.00	629.25	2,517.00	629.25
Texas (Offshore)	—	—	178,650.00	6,244.39	178,650.00	6,244.39
Wyoming	—	—	17,865.88	10,824.28	17,865.88	10,824.28
OVERSEAS						
India (Offshore)	1,235,000.00	30,875.00	—	—	1,235,000.00	30,875.00
TOTAL	6,570,728.00	1,894,212.73	2,335,983.66	399,326.30	8,906,711.66	2,293,539.03

SALE OF PRODUCTION

The following table compares the gross sales volumes of oil, natural gas, natural gas liquids, and sulphur for 1976, inclusive of royalties, with those of 1975:

	Oil (Bbls.)		Natural Gas (MCF)		Natural Gas Liquids (Bbls.)		Sulphur (Long Tons)	
	1976	1975	1976	1975	1976	1975	1976	1975
	Alberta	2,439,891	2,752,094	8,675,071	9,528,758	267,938	287,671	3,021
Saskatchewan	15,350	15,742	22,619	20,535	—	—	—	—
Ontario	2,923	3,216	—	—	—	—	—	—
United States	32,942	8,649	70,112	—	—	—	—	—
	2,491,106	2,779,701	8,767,802	9,549,293	267,938	287,671	3,021	3,336

Crude Oil

Although the Sarnia-Montreal pipe line was completed in 1976 and has increased its throughput to 250,000 barrels per day, this new market is failing to compensate for the gradual loss of exports to the United States. This loss has been felt by the whole industry, and its effect, among other things, on Alminex has been to reduce its production of crude oil by 10.4%, to a daily average of 6,806 barrels. In common with the industry, Alminex's oil fields in Alberta are maturing and production from new discoveries has not yet made a significant contribution.

As a result of agreement between the Alberta and Federal Governments, the price of oil has been rising

and, at the beginning of 1977, Alminex's average selling price was \$9.92 per barrel. Although there is considerable opposition, in all likelihood, the price of oil will gradually increase to approach the world price. As a result of these higher prices, Alminex's provincial royalty rate rose marginally, from 38.6% to 40.1%.

In the United States, the loss of the two-dollar-per barrel importation tax, effective February 1, 1976, reduced crude oil selling prices, but \$11.95 per barrel (for 40°API oil) is still being received at the wellhead in Colorado, and the high-gravity oil discovered in California is expected to command an even higher price.

Natural Gas Liquids

Propane, butane and condensate make up the category of natural gas liquids. Gross sales volumes of these products declined 6.9%, to an average of 732 barrels per day. Like crude oil, restrictions are placed on their sale to the United States, and these restrictions are expected to intensify as these products are needed as feed-stock for Canada's, and principally Alberta's, petrochemical industry.

The gas fields from which Alminex recovers most of its natural gas liquids have seen their peaks in production. Gas in some of the new fields which are coming on-stream is dry and does not contain these liquids, but in others, including Kettleman City, the gas is wet and substantial volumes of liquids are expected to be extracted.

Natural Gas

The gross sales volumes of natural gas declined 8.2%, to 24.0 million cubic feet per day. This decrease, in large part, stemmed from the substantial amount of new Alberta production coming on-stream at a time when the market demand for gas showed little or no increase. The average net-back price to Alminex rose to \$1.10 per thousand cubic feet on July 1, \$1.18 on September 10, and, since the beginning of 1977, it has been \$1.25 per thousand cubic feet. However, with these increases has come the added competition from alternate energy sources which has restrained the growth of market demand for gas. The bitter winter being experienced in Eastern North America, and the inevitable increase in demand, should see the elimination of the current surplus. Alminex expects that its new fields will shortly be contributing sufficient sales volumes to overcome the recent downward trend in production.

Alminex is receiving \$1.59 per thousand cubic feet for its sales of gas to the intrastate market in Montana and, in Oklahoma, \$1.71 per thousand cubic feet. The price of gas sold in the United States interstate market has been allowed to rise to \$1.42 per thousand cubic feet; however, this decision by the Federal Power Commission is likely to be tested in the courts.

RESERVES

Crude Oil

Estimated gross proven and probable reserves of crude oil declined by 1.8 million barrels, although the year's production totalled 2.5 million barrels. Most of Alminex's producing fields are generally performing as expected, but, on balance, the adjustments made added to reserves. Only minor reserves were included for northwestern Colorado, as additional wells and production data are needed before a proper estimate can be made.

Natural Gas Liquids

Gross reserves of natural gas liquids dropped by 254,000 barrels because of the year's production.

No reserves have been added for the fields in the Gulf of Mexico and California at this time, as sufficient information is not yet available.

Natural Gas

The estimated reserves of natural gas rose 18.1 billion cubic feet, despite production in 1976 of 8.8 billion cubic feet. There were a large number of generally minor revisions, both upward and downward, but the net result was positive, and, together with new reserves in Alberta, New York and in the Gulf of Mexico more than offset the gas produced during the year.

Sulphur

Production from the Harmattan-Leduc Gas Unit from which Alminex derives most of its sulphur, continues to deteriorate, and gross reserves have been revised downward to reflect this condition.

	RESERVES	
	December 31 1976	1975
Crude Oil (Millions of barrels)	38.407	40.165
Proven and Probable		
Natural Gas Liquids (Millions of barrels)	2.493	2.747
Proven and Probable		
Natural Gas (Billions of cubic feet)	195.727	177.639
Proven and Probable		
Sulphur (Thousands of long tons)	61	221
Proven and Probable		

FINANCIAL

Higher product prices, which permitted total revenues to increase 12% to \$22,482,862 despite lower sales volumes, were the major contributing factor to the increase in net income, which rose 20.9% to \$5,935,079. Provincial and other royalties paid totalled \$11,389,541, up from \$9,656,000 in 1975. Most categories of expenses increased, and exploratory drilling rose 22.6%, to \$2,256,329, reflecting the high rate of exploration maintained during the year. Provisions for depreciation and depletion were also higher than last year and, while the total of all of the foregoing deductions was up 11.5%, income, before income taxes, rose 12.3%, to \$13,535,079. The provision for income taxes increased 6.4%, a significantly smaller increment than in recent years. Alminex's increased exploration in Canada helped to limit the increase, but governments' policies, already alluded to, were also factors.

Capital expenditures rose to \$4,866,532, due to increases in development drilling and additions to plant and other assets.

In view of the improving fortunes of your Company, your Board of Directors increased the dividend payout to 25 cents per share, or \$1,915,790.

NORTHWEST TERRITORIES

BRITISH
COLUMBIA

ALBERTA

SCOT POINT

PARKLAND

FT. ST. JOHNS

BLUEBERRY MOUNTAIN

■ PEACE RIVER

ATHABASCA

MARTEN HILLS

SWAN HILLS

CHISHOLM

NOSE CREEK

VIRGINIA HILLS

FREEMAN

ROSEVEAR

MEDICINE RIVER

BASHAW

SASKATCHEWAN



TOWNSHIPS IN WHICH ALMINEX
HOLDS INTERESTS

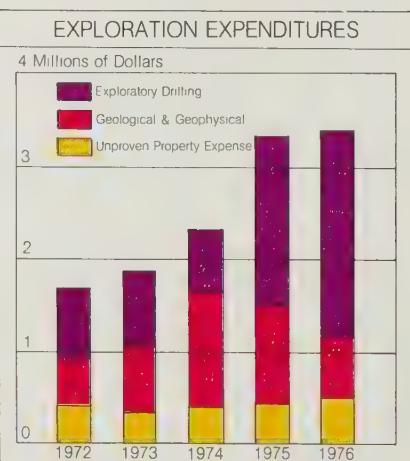
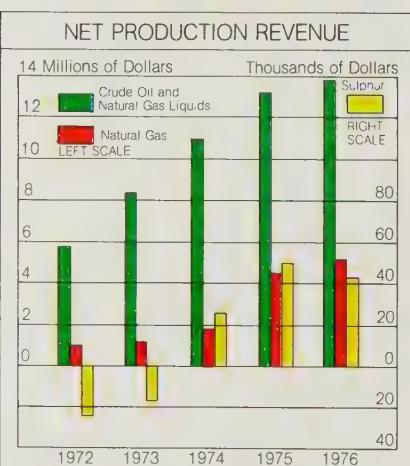
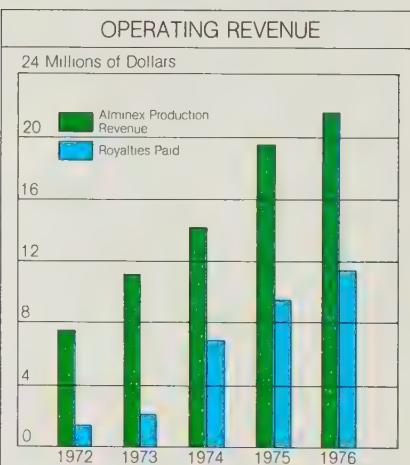
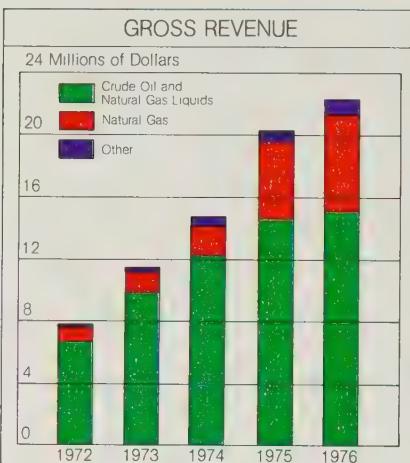
 GAS SUCCESS

● OIL SUCCESS

SCALE 0 12 24 60 MILES

UNITED STATES

ALMINEX LIMITED TEN - YEAR SUMMARY



FINANCIAL

	1976	1975	1974
Operating Revenue (After royalty)	\$21,554,168	\$19,593,490	\$14,318,680
Net Production Revenue (After operating costs)	19,087,733	17,854,901	13,057,160
Administrative and General Expense	486,759	435,245	309,952
Interest Expense			
Exploration Expense ¹	3,418,473	3,310,091	2,318,672
Depletion, Depreciation and Write-offs	2,576,116	2,542,921	2,578,853
Cash Earnings (After all cash expenses except income taxes)	16,111,195	14,597,573	10,885,932
Net Income ³	5,935,079	4,908,652	4,852,079
Bank Loans Outstanding			
Selling price of Capital Stock (per share) — Toronto Stock Exchange			
High	7.50	6.38	7.38
Low	4.90	4.20	3.50
Dividends Paid (per share)25	.24	.24
Number of Shareholders of Record	2,877	3,071	3,148

OPERATING

Average Daily Sales Volumes:⁴

Oil and Natural Gas Liquids (Barrels)	7,538	8,404	8,600
Natural Gas (Thousands of cubic feet)	23,956	26,162	27,129

Reserves (Proven and probable):

Crude Oil (Barrels)	38,407,000	40,165,000	42,419,000
Natural Gas Liquids (Barrels)	2,493,000	2,747,000	2,858,000
Natural Gas (Billions of cubic feet)	195.7	177.64	184.28
Sulphur (Long tons)	61,000	221,000	316,000
Net Acreage	2,293,539	2,508,410	6,891,429

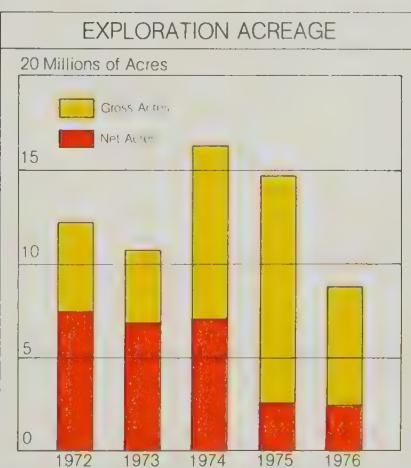
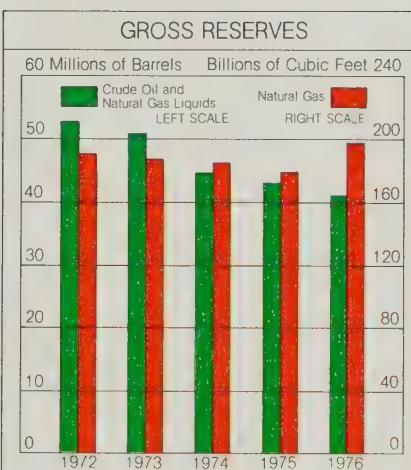
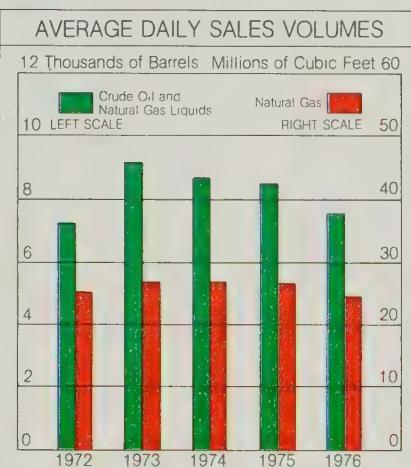
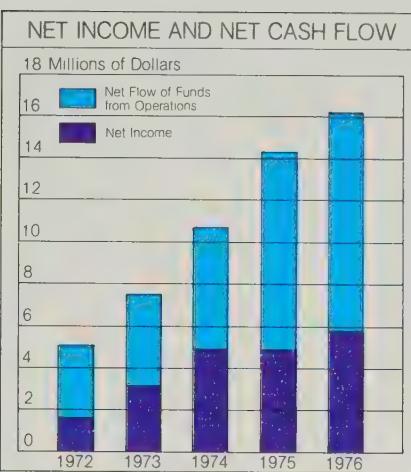
¹Including exploration drilling, dry hole costs, geological, geophysical and unproven property expense.

²Re-stated to reflect consolidation of the United States and United Kingdom subsidiaries.

³Re-stated to reflect adoption of deferred taxes on a retroactive basis.

⁴Re-stated to "Before Royalty" basis. Figures prior to 1973 are estimated.

1973	1972	1971	1970	1969	1968	1967
11,329,486	\$ 7,727,121	\$ 6,457,406	\$ 5,366,105	\$ 4,775,003	\$ 4,713,879	\$ 4,397,132
9,656,854	6,831,842	5,653,348	4,680,232	4,251,959	4,176,554	3,877,245
273,471	205,074	188,405	170,121	154,097	150,360	152,851
			30,128	52,150	96,075	129,399
1,862,062	1,663,468	1,451,960 ²	901,168 ²	1,022,724	1,217,884	1,074,540
2,404,034	2,208,673	1,808,332 ²	1,519,112 ²	1,400,604	1,242,889	1,280,081
7,746,505	5,068,838	4,094,371 ²	3,649,014 ²	3,038,017	2,735,134	2,530,494
3,117,436	1,584,568	1,194,039	1,029,902	829,413	749,245	617,118
				827,000	734,000	1,812,000
7.80	6.65	6.30	6.50	8.95	7.10	7.65
5.75	5.10	4.60	3.25	4.30	4.10	4.05
.24	.22	.17	.15	.12	.12	.12
3,259	3,614	3,966	3,987	3,709	2,969	3,061
9,091	7,261	6,027	5,189	4,705	4,424	4,058
27,172	24,755	22,951	24,192	18,722	16,375	15,784
45,888,000	48,299,000	50,427,000	52,400,000	54,285,000	55,085,000	56,923,000
4,648,000	5,043,000	5,310,000	5,533,000	5,749,000	6,010,000	6,183,000
187.82	191.36	198.18	208.03	209.44	201.93	192.32
346,000	226,000	232,000	237,000	246,000	255,000	262,000
6,760,274	7,378,799	7,468,414	6,941,139	7,138,206	6,947,635	2,707,183



ALMINEX LIMITED

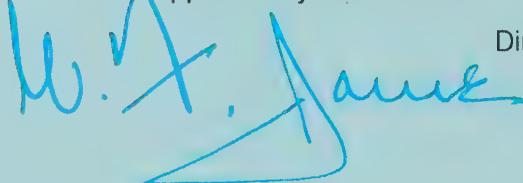
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1976

	1976	1975
ASSETS		
CURRENT ASSETS		
Cash, term deposits and investment certificates	\$ 6,911,341	\$ 6,969,168
Accounts receivable	2,695,713	2,359,761
Income taxes receivable	311,964	—
Inventory, at lower of cost and replacement cost	79,850	81,447
Prepaid expenses	21,582	12,705
	<u>10,020,450</u>	<u>9,423,081</u>
OTHER ASSETS		
Investments, at cost		
Marketable (quoted market value 1976, \$445,877; 1975, \$275,000)	368,807	353,767
Other (note 2)	194,567	179,117
Operating and performance deposits	263,115	189,521
	<u>826,489</u>	<u>722,405</u>
PROPERTY, PLANT AND EQUIPMENT, at cost (note 3)		
Accumulated depletion and depreciation	61,579,889	56,867,476
	<u>25,580,513</u>	<u>23,158,516</u>
	<u>35,999,376</u>	<u>33,708,960</u>
	<u><u>\$46,846,315</u></u>	<u><u>\$43,854,446</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,613,994	\$ 738,227
Income taxes payable	—	2,130,338
	<u>1,613,994</u>	<u>2,868,565</u>
PREPAYMENTS ON FUTURE GAS DELIVERIES (note 4)	400,524	239,373
DEFERRED INCOME TAXES	2,764,000	2,700,000
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 6)		
Authorized		
10,000,000 shares without par value		
Issued		
7,663,161 shares (1975 - 7,662,661)	35,084,432	35,082,432
CONTRIBUTED SURPLUS	70,091	70,091
RETAINED EARNINGS	6,913,274	2,893,985
	<u>42,067,797</u>	<u>38,046,508</u>
	<u><u>\$46,846,315</u></u>	<u><u>\$43,854,446</u></u>

Approved by the Board


W. F. James

Director


John S. Stephen

Director

ALMINEX LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1976

	1976	1975
REVENUE		
Operating revenue, less royalties	\$21,554,168	\$19,593,490
Investment and other revenue	928,694	488,008
	<u>22,482,862</u>	<u>20,081,498</u>
EXPENSES		
Operating	2,466,435	1,738,589
Administrative and general	486,759	435,245
Exploratory drilling and dry hole costs	2,256,329	1,840,381
Geophysical and geological	674,048	1,050,385
Unproven property	488,096	419,325
	<u>6,371,667</u>	<u>5,483,925</u>
Income before provisions, write-offs and income taxes	<u>16,111,195</u>	<u>14,597,573</u>
PROVISIONS AND WRITE-OFFS		
Property surrendered	154,137	293,389
Depletion	1,685,600	1,663,000
Depreciation	736,379	586,532
	<u>2,576,116</u>	<u>2,542,921</u>
Income before income taxes	<u>13,535,079</u>	<u>12,054,652</u>
Income taxes (note 5)		
Current	7,536,000	7,363,000
Deferred	64,000	(217,000)
	<u>7,600,000</u>	<u>7,146,000</u>
NET INCOME	<u>\$ 5,935,079</u>	<u>\$ 4,908,652</u>
EARNINGS PER SHARE , based on average number of shares outstanding during the year	<u>\$ 0.77</u>	<u>\$ 0.64</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1976

	1976	1975
Balance at beginning of year	\$ 2,893,985	\$ (175,629)
Net Income	<u>5,935,079</u>	<u>4,908,652</u>
	<u>8,829,064</u>	<u>4,733,023</u>
Dividends paid	<u>1,915,790</u>	<u>1,839,038</u>
BALANCE AT END OF YEAR	<u>\$ 6,913,274</u>	<u>\$ 2,893,985</u>

ALMINEX LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1976

	1976	1975
WORKING CAPITAL DERIVED FROM Operations		
Income before provisions, write-offs and income taxes	\$16,111,195	\$14,597,573
Income taxes, current	7,536,000	7,363,000
	<hr/>	<hr/>
Issue of capital stock	8,575,195	7,234,573
	2,000	—
Increase in prepayments on future gas deliveries	161,151	—
	<hr/>	<hr/>
	8,738,346	7,234,573
WORKING CAPITAL APPLIED TO		
Properties	1,487,576	2,095,698
Development of proven properties	2,420,953	1,074,626
Plant and equipment	958,003	533,632
	<hr/>	<hr/>
Increase in other assets	4,866,532	3,703,956
	104,084	497,880
Dividends	1,915,790	1,839,038
	<hr/>	<hr/>
	6,886,406	6,040,874
INCREASE IN WORKING CAPITAL	1,851,940	1,193,699
WORKING CAPITAL AT BEGINNING OF YEAR	6,554,516	5,360,817
WORKING CAPITAL AT END OF YEAR	<hr/>	<hr/>
	\$ 8,406,456	\$ 6,554,516

AUDITORS' REPORT

To the Shareholders of
Alminex Limited

We have examined the consolidated balance sheet of Alminex Limited as at December 31, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
January 28, 1977

THORNE RIDDELL & CO.
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1976

1. Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of Alminex Limited and its wholly owned foreign subsidiaries Alminex Energy Company, Alminex U.S.A., Inc., Alminex (U.K.) Limited, and A/S Norsk Alminex Limited.

Amounts in foreign currency are translated into Canadian currency on the following basis:

- (i) Current assets and current liabilities at exchange rates in effect at the end of the year;
- (ii) Non-current assets and liabilities at the rate prevailing when acquired or incurred; and
- (iii) Revenue and expenses, at the average rate of exchange for the year, except for depreciation and depletion which are on the same rates as the related assets.
- (iv) Gains and losses on translation of revenue and expense transactions are reflected in earnings; gains on translation of foreign subsidiaries' accounts for consolidation purposes are deferred and losses are reflected in earnings.

(b) Oil and Gas Operations

The costs of acquiring interests in proven and unproven oil and gas properties and the development costs of productive wells are capitalized. Property costs of an area are transferred from unproven to proven properties when production commences. Depletion is provided on a unit of production method based on the total of estimated proven and probable reserves for proven properties and on proven reserves for development costs. In 1975 depletion of development costs was based on proven and probable reserves. The effect of excluding probable reserves in depleting development costs is not significant. In calculating depletion, natural gas reserves and production are converted to equivalent barrels of crude oil based on the relative net sales value of each product.

Lease rentals and other unproven property costs, dry hole costs and exploration expenses are charged to expense as incurred. The costs of properties which are abandoned are written-off when the properties are surrendered.

Depreciation on plant and equipment is provided on a diminishing balance basis at annual rates of 20% on gas plants, 30% on production equipment and various rates on other equipment, which rates are considered sufficient to write-off the cost of the equipment over its estimated useful life.

(c) Income Taxes

The Company follows the tax allocation method of accounting whereby the income tax provision is based on earnings reported in the accounts. Accordingly, the Company makes full provision for income taxes deferred as a result of claiming capital cost allowances and exploration and development costs in excess of the amounts provided for depreciation, depletion and property costs in the accounts.

2. Investments

Other investments at December 31, 1976 include common shares of Panarctic Oils Ltd. acquired in consideration of Alminex incurring exploration and development expenditures of \$174,888 on lands controlled by Panarctic.

3. Property, Plant and Equipment

	1976		1975	
	Cost	Accumulated Depletion and Depreciation	Net	Net
Proven properties, including development	\$43,822,424	\$17,742,909	\$26,079,515	\$25,328,248
Unproven properties.....	7,572,113		7,572,113	6,244,286
Plant and equipment	10,185,352	7,837,604	2,347,748	2,136,426
	<u>\$61,579,889</u>	<u>\$25,580,513</u>	<u>\$35,999,376</u>	<u>\$33,708,960</u>

4. Prepayments on Future Gas Deliveries

The Company has received advance payments of \$400,524 on future deliveries of gas, consisting of an advance of \$239,373 to be repaid over a five-year period from the date of initial delivery or in five equal instalments to commence not later than August, 1978 and other advances under take-or-pay obligations.

5. Income Taxes

Total income tax provision amounted to \$7,600,000 for 1976 (\$7,146,000 for 1975) in relation to income before taxes of \$13,535,079 for 1976 (\$12,054,652 for 1975). The amount on which income taxes are computed differs from reported income for the following reasons:

	1976	1975
	(\$,000)	(\$,000)
Income before income taxes	\$13,535	\$12,055
Increase (decrease) resulting from:		
Depletion and write-off of property costs which are not tax deductible	1,059	1,262
Royalties and similar payments to provincial governments	10,741	9,401
Losses of subsidiary companies on which no tax benefit was recorded	1,667	1,427
Resource allowances	(6,925)	—
Depletion allowances	(706)	(991)
Provincial drilling and exploratory incentives	(190)	—
Other expenses (income)	(11)	—
Income for income tax purposes	<u>\$19,170</u>	<u>\$23,154</u>
Tax before provincial royalty credits	\$ 9,013	\$ 9,168
Provincial credits	1,413	2,022
	<u>\$ 7,600</u>	<u>\$ 7,146</u>

Loss carry-forwards of United States subsidiary companies for income tax purposes amount to approximately \$4,640,000. The expiration dates of the loss-carry-forwards are approximately \$370,000 in 1979, \$2,070,000 in 1980 and \$2,200,000 in 1981

6. Capital Stock

During the year the Company issued 500 shares for \$2,000 in exercise of an employee stock option. At December 31, 1976 there were outstanding options to employees to purchase a total of 105,000 shares exercisable as follows:

67,500 shares at \$4.00 per share at the discretion of the Directors of the Company.

30,000 shares at \$4.00 per share on a cumulative basis in five equal instalments to December 31, 1979.

2,000 shares at \$4.17 and 5,500 shares at \$4.85 per share on a cumulative basis in five equal instalments to December 31, 1981.

	1976	1975
	Number	Number
Number of Directors	6	5
Aggregate remuneration of Directors as Directors	Nil	Nil
Number of Officers	7	7
Aggregate remuneration of Officers as Officers	\$118,490	\$107,107
Number of Officers who are also Directors	2	4

7. Anti-Inflation Legislation

The Company is subject to dividend restrictions under provisions of the Federal Anti-Inflation Act. Maximum dividends which may be paid during the twelve-month period ending October 13, 1977 amount to approximately 26 cents per share.

PRODUCING PROPERTIES

OIL

	SALES VOLUMES	
	1976	1975
	(Barrels Including Royalty)	
ALBERTA		
Swan Hills.....	1,539,514	1,736,500
Virginia Hills.....	234,472	287,713
Harmattan Elkton.....	204,296	206,901
Mitsue.....	184,004	223,052
Inverness.....	64,814	74,376
Pembina.....	53,020	57,332
Harmattan East.....	35,273	40,668
Freeman.....	23,711	18,175
Medicine River.....	21,386	22,938
Westward Ho.....	19,500	22,350
Crossfield Cardium.....	18,158	19,899
Erskine D-3.....	15,602	16,840
Manyberries.....	4,999	4,046
Stettler.....	2,931	2,499
Sundre.....	2,640	2,715
House Mountain.....	2,447	2,794
Retlaw.....	1,235	1,063
West Provost.....	278	322
Total Alberta.....	2,428,280	2,740,183
UNITED STATES.....	32,942	8,649
SASKATCHEWAN.....	15,325	15,742
ONTARIO.....	2,923	3,216
ROYALTY INTEREST.....	11,636	11,911
TOTAL.....	2,491,106	2,779,701
DAILY AVERAGE.....	6,806	7,616

PRODUCING PROPERTIES

GAS AND NATURAL GAS LIQUIDS

	GAS SALES VOLUMES (14.65 PSI)		NGL SALES VOLUMES	
	1976	1975	1976	1975
	(MCF Including Royalty)		(Bbls. Including Royalty)	
ALBERTA				
Carstairs	3,682,812	4,222,245	159,984	171,490
Marten Hills	1,298,236	1,322,108	—	—
Swan Hills	913,817	1,030,533	—	—
Bindloss	750,037	906,024	—	—
Harmattan Elkton	466,710	409,885	74,256	79,199
Retlaw	311,827	337,850	1,889	2,870
Calgary Units	147,814	160,244	5,917	6,392
West Provost	130,595	146,792	217	199
Whitecourt	128,704	195,962	680	880
Virginia Hills	112,540	137,426	—	—
Harmattan East	107,123	107,940	8,465	8,961
Mitsue	70,121	73,132	10,237	11,234
Pendor	63,261	86,438	—	—
South Elkton	61,958	78,777	1,469	1,847
Erskine	52,531	24,078	693	653
Crossfield Turner Valley	33,474	34,993	1,589	1,427
Atlee Buffalo	30,298	38,483	—	—
Inverness	25,566	36,403	—	—
Bashaw	23,040	—	108	—
Pembina	22,351	24,008	1,263	1,265
Westward Ho	15,117	18,437	418	505
Manyberries	12,393	3,654	—	—
Medicine River	10,451	13,391	153	119
Sylvan Lake	8,849	11,175	516	587
Other Interests	9,699	37,820	84	43
Total Alberta	8,489,324	9,457,798	267,938	287,671
SASKATCHEWAN	20,752	20,535	—	—
UNITED STATES	70,112	—	—	—
ROYALTY INTEREST	187,614	70,960	—	—
TOTAL	8,767,802	9,549,293	267,938	287,671
DAILY AVERAGE	23,956	26,162	732	788

SULPHUR

	SALES VOLUMES	
	1976	1975
	(Long Tons Including Royalty)	
ALBERTA		
Harmattan Leduc	2,525	2,713
Carstairs Crossfield	406	487
Calgary Units	68	95
Erskine	22	41
TOTAL	3,021	3,336
DAILY AVERAGE	8	9

BOARD OF DIRECTORS

C. L. BARNEY, Houston, Texas
Vice President of Production
The Superior Oil Company

W. F. JAMES, Toronto, Ontario
President and Chairman of the Board

J. J. MATHER, Toronto, Ontario
Group Vice President
Falconbridge Nickel Mines Limited

G. P. MITCHELL, Toronto, Ontario
Group Vice President
Falconbridge Nickel Mines Limited

A. G. SLADE, Toronto, Ontario
Vice President - Corporate Development
Canadian Nickel Division
Falconbridge Nickel Mines Limited

J. N. STEPHEN, Calgary, Alberta
Vice President and General Manager
of the Company

OFFICERS

W. F. JAMES
President and
Chairman of the Board

J. E. REID
Executive Vice President

A. E. SIVERTSON
Treasurer and Assistant Secretary

M. A. COOPER
Senior Vice President

W. R. ROBERTSON
Secretary

J. N. STEPHEN
Vice President and General Manager

J. M. THOMSON, Q.C.
Assistant Secretary

CORPORATE

Executive Office

300 Crown Trust Building
407 Eighth Avenue S.W.
Calgary, Alberta
T2P 1E5

Auditors

Thorne Riddell & Co.
Calgary, Alberta

Solicitors

Milner & Steer, Calgary, Alberta
Thomas W. Whittington, Denver, Colorado

Bankers

The Royal Bank of Canada, Calgary, Alberta
Canadian Imperial Bank of Commerce, Calgary, Alberta
First National City Bank, New York, New York

Registrars and Transfer Agents

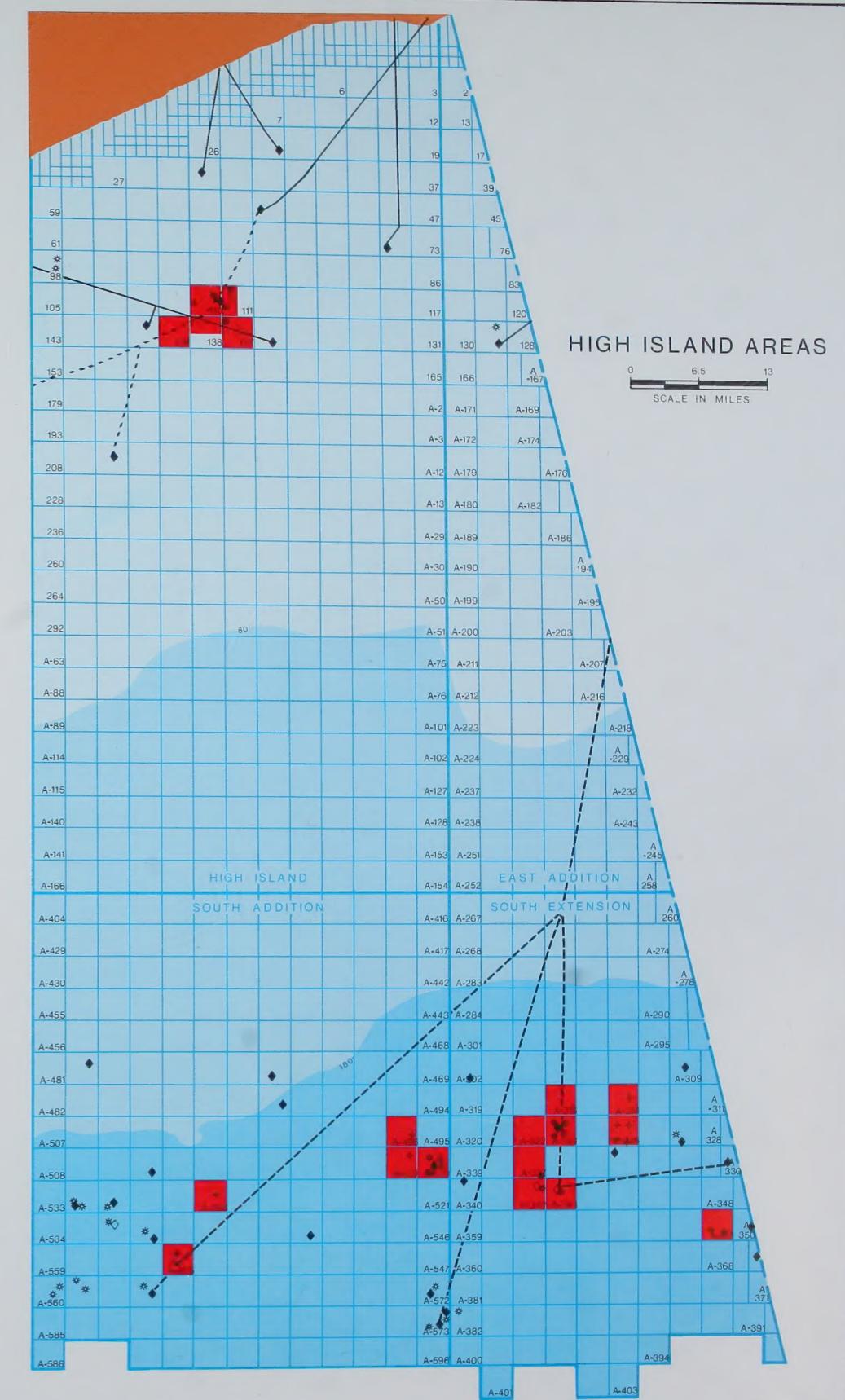
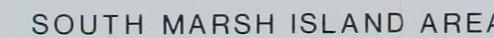
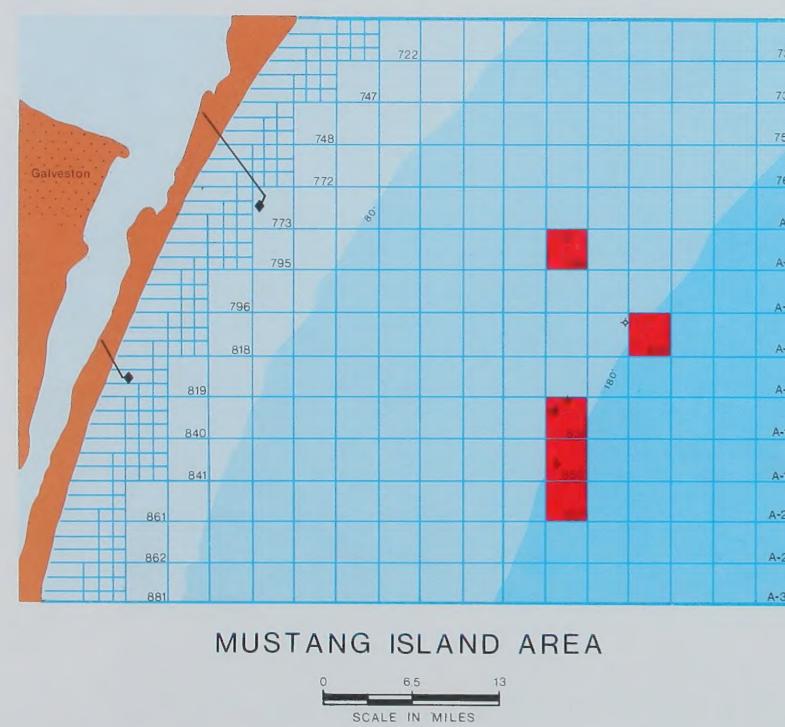
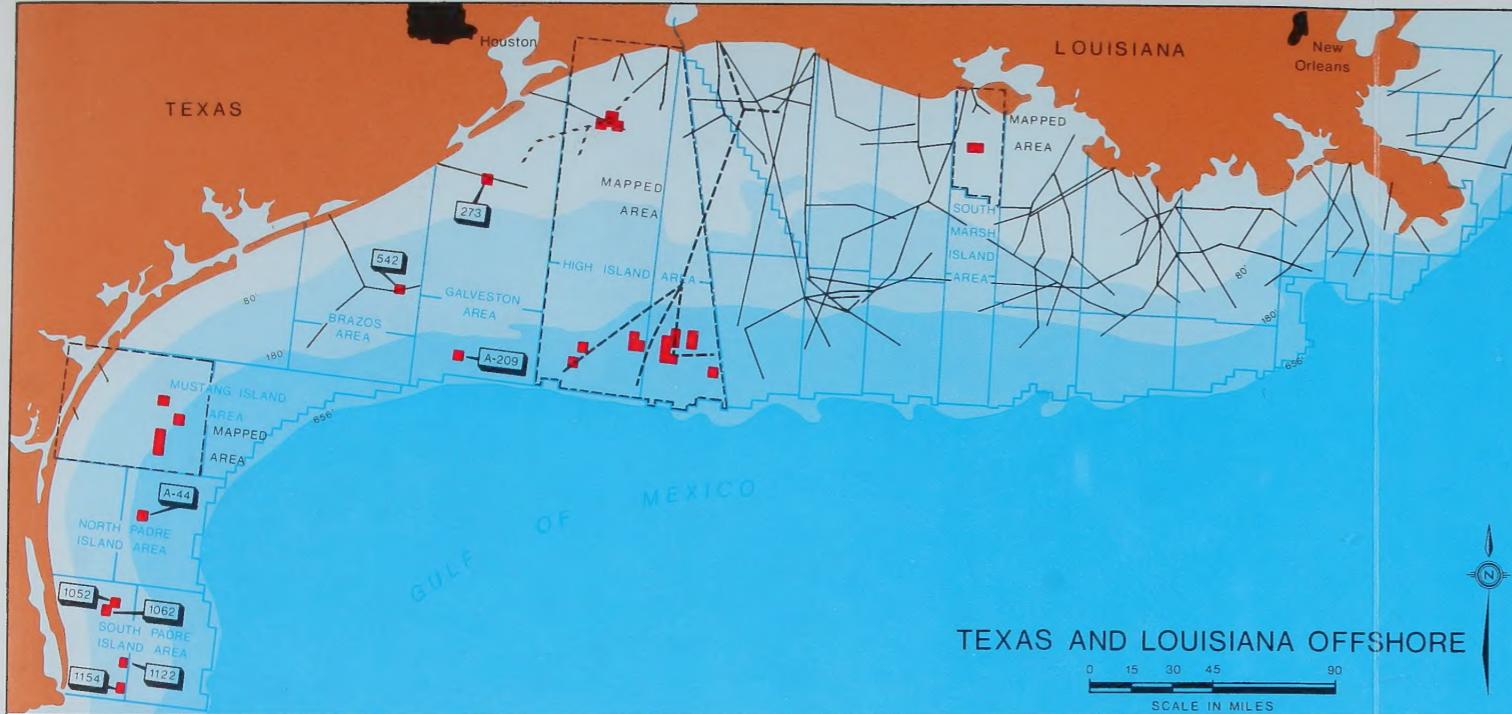
Crown Trust Company
Vancouver, Calgary, Toronto, Montreal

Shares Listed (Symbol - ALN)

Toronto Stock Exchange

Subsidiary Companies

Alminex (U.K.) Limited
Alminex Energy Company
Alminex U.S.A., Inc.
A/S Norsk Alminex Limited



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